

City of Burlington / 2015 CDBG Application Form

Project Name: Sustainable Economic Development - Revolving Loan Fund Capitalization

Project Location / Address: City Hall Burlington, 149 Church St. Room 32 Burlington, VT 05401

Applicant Organization / Agency: City of Burlington Community & Economic Development Office

Mailing Address: 149 Church St. Room 32, Burlington, VT 05401

Physical Address: Same

Contact: Diana Colangelo Title: Community Development Specialist Phone #: 802-865-7187

Web Address: www.burlingtonvt.gov/cedo Fax #: 802-865-7024 E-mail: dcolangelo@burlingtonvt.gov

EIN #: 03-6000410

DUNS #: 06-053-5606

CDBG Funding Request: \$ 100,000

Check ONE:

X **1 year** **2 years**
(Equal Access, Health) (Housing, Homeless, Hunger)

1. Type of Organization

X Local Government Non-Profit Organization (please provide copy of your
IRS 501(c)(3) tax exemption letter)
 For-Profit Organization Institution of Higher Education
 Faith-Based Organization

2. **Conflict of Interest:** Please complete and sign attached form.

3. **List of Board of Directors:** Please attach.

Certification

To the best of my knowledge and belief, data in this proposal are true and correct.

I have been duly authorized to apply for this funding on behalf of this agency.

I understand that this grant funding is conditioned upon compliance with federal CDBG regulations.

I further certify that no contracts have been awarded, funds committed or construction begun on the proposed program, and that none will be prior to issuance of a Release of Funds by the Program Administrator. In addition, this project is ready to proceed as of July 1, 2014.

Signature of Authorized Official

Name of Authorized Official

Title

Date

(Refer to NOFA for required information for each question.)

I. Demonstrated Need

1. What is the need/opportunity being addressed by this program/project and how does that contribute to CDBG's national objectives?

According to Kauffman's 2012 Index of Entrepreneurial Activity, Vermont is the state with the third-largest increase in entrepreneurial activity rates over the past decade. On average across the rest of the country, business startup activity dropped during this time. On the other side of this coin, the Small Business Administration has indicated that business lending through their partner institutions has decreased in the last few years. According to organizations such as the VT Small Business Development Center, the Micro Business Development Program, and the Women's Small Business Program, business owners are reporting that it is very difficult to access funding for their businesses. This program responds directly to this need for financing by providing business loans. About 26.2% of Burlington residents were below the poverty level from 2008-2012, compared with a statewide average of 11.6% (U.S. Census). Many people in Burlington consider self-employment in the form of owning their own business as a way to move out of poverty and into self-sufficiency; and many of the people these businesses employ are low to moderate income. However, financing is often a barrier for business owners. Providing this financing and helping business owners start or expand a business would directly contribute to CDBG's Low/Moderate Income Benefit national objective. Many beneficiaries are low or moderate income and most live within the Neighborhood Revitalization Strategy Area.

II. Program/Project Design

1. Describe the program/project activities. [UWCC]

This funding would be used to capitalize and operate a revolving loan fund. This would help people to start, retain, and grow their businesses in Burlington, directly addressing Vermont's job creation needs. These funds would be an important source of capital in a very tight lending environment. In helping people to start or expand a business and create jobs, these activities would prevent people from entering poverty, and in some cases, help them move out of poverty into self-sufficiency.

2. Why is the program/project designed the way it is? Explain why the program activities are the right strategies to use to achieve the intended outcomes. [UWCC]

CEDO is uniquely positioned to help business owners through a revolving loan fund. Unlike banks, CEDO has the capacity to be flexible with interest rates and lease terms on a case-by-case basis, which can make a big difference in the bottom line of a business. A revolving loan fund is a very worthwhile use of funds, since almost all businesses need capital in order to start, expand, and hire and/or keep employees, and conventional financing can be very difficult to access.

3. How will this program/project contribute to the City's anti-poverty strategy?

In its anti-poverty strategy, the City seeks to provide residents with opportunities for economic self-sufficiency. This program directly assists entrepreneurs and business owners in creating sustainable employment opportunities for themselves and others, resulting in livable wage jobs. This program would offer affordable loans to people who have encountered obstacles to business ownership, whether they are unable to obtain traditional financing or need more support around business planning. Our loans require recipients to use their best efforts in hiring low and moderate income residents. It is of great importance to CEDO to work with groups that have historically struggled to access resources that can improve their quality of life.

4. How do you use community and/or participant input in planning the program design and activities? [UWCC]

Participants and community members are welcome at any time to offer feedback on our services. For this program, it is most appropriate to get the word out about available funding through targeted venues. Information about funding availability would be disseminated through partner organizations such as VT Small Business Development Center, Micro Business Development Program, Women's Small Business Program, SCORE, Small Business Administration, and local banks and credit unions. Information about the program would also be posted on CEDO's website. Anyone is welcome to drop in to talk to staff or schedule an appointment to discuss business services or the loan program.

III. Proposed Outcomes

1. What are the intended outcomes for this project/program? How are people meant to be better off as a result of participating? [UWCC]

The intended outcome is that business owners are able to start or expand their businesses, hire new employees, and grow as a result of receiving affordable loans through CEDO. Depending on the loan size, we would be able to assist anywhere from 3-6 businesses with funding in an initial round, which could result in dozens of jobs being created or retained. As loan payments come in to recapitalize the fund, we could assist even more businesses. The “big picture” outcome is that people are able to successfully pursue opportunities for self-employment by starting and expanding their own businesses, resulting in self-sufficiency and a livable wage. Self-employment often protects people from the vagaries of the economy and the employment market by allowing them a measure of control over their circumstances.

2. List your goals/objectives, activities to implement and expected outcomes (# of units, # of individuals, etc.)

- Provide loans for anywhere from 3-6 businesses in the initial round of funding, depending on loan size and need in the community.
- Put out an RFP to identify an outside agency with which CEDO can contract to assess loan applications and perform underwriting and monitoring services for the loans.
- Creation or retention of anywhere from 3-15 jobs, depending on number of loans made, size of participating businesses, and need in the community.
- Serve primarily low and moderate income people, thereby increasing economic self-sufficiency, decreasing poverty, and creating opportunities for livable wage jobs.

IV. Impact / Evaluation

1. How do you assess whether/how program participants are better off? Describe how you assess project/program outcomes; your description should include: what type of data, the method/tool for collecting the data, from whom you collect data, and when it is collected. [UWCC]

Success would be measured in part by whether or not participating businesses are making regular payments, which would indicate the general health of the business and its ability to pay back debt. To verify jobs created and retained, the program would collect job agreements and job creation and income self-certification forms from participants. This would happen within a reasonable time after a loan was made and be reported annually for the life of the loan. Job creation would indicate not only that the business was healthy and expanding, but would benefit the new employees hired as a result of the growth of the business.

2. How successful has the project/program been during the most recent reporting year for your CDBG project? Report the number of beneficiaries you intended to serve with which activities (as noted in your last Attachment A) and your final outcomes (as noted on your Attachment C) from June 2013.

This is a new activity under the Sustainable Economic Development program of CDBG.

3. How does this data reflect beneficial outcomes of this project/program? Has this impacted your program planning at all? [UWCC]

See above.

V. Experience / Organizational Capacity

1. What is your agency’s mission, and how do the proposed activities fit with your mission?

The Community and Economic Development Office is a department of the City of Burlington. Our mission is: “Engaging our community to build a vibrant, healthy, and equitable City.” We work with the community to: foster economic vitality; preserve and enhance neighborhoods, quality of life and the environment; and promote equity and opportunity for all residents of Burlington. In support of its mission, CEDO works in partnership with citizens, the public and private sector, and other city departments to: strengthen the quality of life in Burlington's neighborhoods; preserve and develop decent, safe and affordable housing opportunities; maintain and improve the vitality of

Downtown, the Pine Street area and neighborhood business districts; encourage a thriving small business sector; foster job growth and employment opportunities; increase civic engagement and citizen participation; support the delivery of human services; and revitalize Burlington's waterfront.

CEDO is funded through Federal and State grants, and through the Housing Trust Fund. CEDO has four divisions: Housing, Economic Development, Community Development and the Community Justice Center. In addition, CEDO has administrative and special projects staff. CEDO's Development staff works closely with other divisions on a variety of development activities throughout the City but principally focuses in downtown, the Old North End, the waterfront, and the Enterprise Zone in the South End. CEDO uses a variety of tools in supporting development. The City's Brownfield program, Tax Increment Financing, Renewal Community tax credits, the Burlington Community Development Corporation, the Downtown Program, and transportation funding are all utilized. Major redevelopment projects such as new housing, public facilities, offices, hotels, retail and industrial expansion are all supported.

The program's proposed activities fit directly with CEDO's mission. By providing much-needed funding to businesses, we promote economic self-sufficiency, foster the growth of livable wage jobs, and help businesses to grow and prosper. Thus, this program directly addresses the issues of economic vitality, quality of life, opportunity for all residents, and quality neighborhoods.

2. Please describe any indications of program quality, such as staff qualifications and/or training, adherence to best practices or standards, feedback from organizations you partner with, etc.

Staff understand the importance of training, and whenever possible, attend conferences, trainings, and workshops relevant to the work of the program. Unfortunately, funding for these activities is severely limited, so staff are not able to take advantage of these opportunities very frequently. As such, part of this program will involve putting out an RFP to identify an outside organization with which to contract for underwriting and monitoring services for the loans. CEDO will complete preliminary assessments of loan applications and will rely on experts to perform underwriting and monitoring services. Partner organizations such as the Small Business Development Center, Small Business Administration, Micro Business Development Program, Women's Small Business Program, and others have uniformly expressed enthusiasm about such a funding opportunity being available in the community for their clients.

3. What steps has your organization/board taken in the past year to become more culturally competent?

CEDO now has a dedicated, nine member team that meets monthly and whose mission is to oversee and facilitate our continual understanding of what it means to be a culturally competent organization. This team helps plan and lead a cultural competency activity at the CEDO staff meeting and has worked to identify cultural competency goals for CEDO to work towards. These goals include—

- *Finalize a new mission/vision/values statement for CEDO* (this work has recently been completed)
- *Apply cultural competence to our work by having the CEDO We All Belong (WAB) team continue to model that for staff and also apply it to how we engage community members and service users.*
- *Incorporate our newly developed cultural competence language into CEDO job descriptions.*
- *Revise our staff evaluations to include an area focused on cultural competence*
- *Create a budget for our cultural competency work to help fund periodic retreats and more training events for staff.*
- *Continue to give more structure to our CEDO WAB Team by assigning co-facilitators for and taking minutes of our monthly meetings. Also continue discussing, evaluating, and building upon the activities we use to engage CEDO staff in cultural competency work so we can continue to grow in our understanding of and commitment to cultural competency. Evaluate and assess the WAB team make up and rotate members as needed.*

Two employees have participated in We All Belong's intensive Train the Trainer Program. New trainers are able to provide more structured facilitation and leadership for our efforts to increase our organization cultural competency.

4. Have you received Federal or State grant funds in the past three years? ☒ Yes ☐ No

**5. Were the activities funded by these sources successfully completed? ☒ Yes ☐ No ☐ N/A
If No, please explain:**

VI. Proposed Low & Moderate Income Beneficiaries / Commitment to Diversity

1. Will the program target a specific (solely) group of people? If so, check ONE below:

☐ Abused Children ☐ Elderly (62 years +) ☐ People with AIDS
☐ Battered Spouses ☐ Homeless Persons ☐ Illiterate Adults
☐ People with Severe Disabilities

2. For your proposed project, please estimate how the Burlington residents will break out into the following income categories during the total grant period. Use the Income Table at <http://www.burlingtonvt.gov/CEDO/CDBG/2013-HUD-Income-Limits/>.

Service / Activity	Unduplicated Total # of Burlington HH / Persons to be Served	# Extremely Low- Income	# Low- Income	# Moderate- Income	# Above Moderate- Income
Revolving Loan Fund	Depends on applications that come in (3-6)	same	same	same	same

3. a. Who is the project/program designed to benefit? Describe the project/program's target population, citing (if relevant) specific age, gender, income, community/location or other characteristic of the people this program is intended to serve. [UWCC]

This program is designed to benefit business owners and the employees they are able to hire as their businesses expand and grow. Business owners would hear about the program through CEDO's website or through our partner organizations such as the Small Business Development Center, Women's Small Business Program, Micro Business Development Program, SCORE, Small Business Administration, and banks and credit unions. CEDO does not discriminate on the basis of race, color, religion, sex, sexual orientation, age, disability, place of birth, or national origin. There is no targeted location, and businesses in all sections of the city could receive assistance.

b. How do you select and reach your target population?

See above for information on how the target population is reached.

4. Describe the steps you take to make the project/program accessible, inclusive and culturally appropriate for the target population. [UWCC]

The City has a long-standing equal opportunity personnel policy. The City has completed an equal opportunity workforce analysis, which it uses to shape ongoing hiring, retention and promotion efforts. The City continues to expand its recruitment and job posting sources to encourage continuing diversity in its workforce. CEDO advertises nationally for certain professional positions to increase the diversity of its recruitment pool; and has started using hiring panels for certain positions to ensure diversity of thought in the hiring process. Many CEDO staff members have participated in several diversity/racism trainings. We include an EO statement in our outreach materials. CEDO's offices are accessible. Program information is available in French, Vietnamese and Serbo-Croatian in hard copy and online (w/ a link to an online translation site for additional languages/information). We will arrange for interpretation services with advance notice and indicate that on our outreach materials.

VII. Budget / Financial Feasibility

1. Budget Narrative: Provide a clear description of what you will do with CDBG's investment in the program. How will you spend the money? Give specific details. [UWCC]

Most of the money will be lent directly to businesses that have submitted a loan application and have been determined to be eligible upon assessment of their application. Some of the funds will be used to pay an outside agency for underwriting and monitoring services for the loans. Loan payments made to CEDO will go directly back into the loan pool so that more loans can be made in the future.

2. If you plan to pay for staff with CDBG funding, describe what they do in relation to the specific service(s) / activity(ies) in your Project/Program Design.

N/A

Specific Service / Activity	Position/Title	Work Related to CDBG-Funded Activity	# of Hours per Week spent on this Specific Service / Activity	% of Hours per Week spent on this Specific Service / Activity to be paid with CDBG

3. Program/Project Budget

Line Item	CDBG Funds	Other	Total
Sustainable Economic Development – Revolving Loan Fund	\$90,000	\$	\$90,000
Underwriting and monitoring services	\$10,000	\$	\$10,000
Total	\$100,000		\$100,000

4. Funding Sources

	Project		Agency	
	Current	Projected	Current	Projected
CDBG	\$ 0	\$ 100,000	\$ 716,684	\$ 716,684
State (specify)			711,809	711,809
Federal (specify)			630,095	1,738,428
Program Income	\$0	\$0	32,259	31,000
Other (specify)			562,541	558,541
Total	\$ 0	\$ 100,000	\$2,653,388	\$3,756,462

5. Of the total project cost, what percentage will be financed with CDBG?

$$\frac{\$ \underline{100,000}}{\text{CDBG Funding}} \div \frac{\$ \underline{100,000}}{\text{Total Project Cost}} = \frac{\underline{100}}{\text{Percentage}} \%$$

6. Of the total project cost, what would be the total cost per person?

$$\frac{\$100,000}{\text{Total Project Cost}} \div \frac{3-6}{\text{\# Proposed Beneficiaries}} = \$33,333-\$16,667 \text{ Cost Per Person}$$

7. Why should CDBG resources, as opposed to other sources of funding, be used for this project?

There are no other sources CEDO is aware of that would allow our office to capitalize a revolving loan fund.

8. Describe your use of community resources, including volunteers. Include any resources not listed in your budget. Will CDBG be used to leverage other resources?

Providing funding to businesses often has the effect of leveraging funding from other sources. When banks and other lenders see that a business has resources, it can increase the likelihood that they will invest in the business as well. It is also possible that CEDO will leverage volunteers from banks or credit unions to help with some of the application assessment. This depends on the interest level at these institutions to be involved in this way. CEDO will also work with other small business assistance providers to identify possible applicants, and these partners organizations can help their clients put together business plans and help them with the application process.

9. If your organization has experienced any significant changes in funding levels during the past year, please explain.

Yes, there has been a steady decline in awards from our Federal and State funders. The declining revenue will continue to seriously impact our ability to provide services. Of this request, 100% of funds will be used to make loans to businesses and to pay for underwriting and monitoring services.

10. What cost-cutting measures has your organization implemented?

In the true spirit of fiscal discipline, CEDO is taking perhaps the most significant cost-cutting measure possible: not requesting CDBG funding for several of our programs in this funding cycle. CEDO continues to take austerity measures by curtailing outside expenditures to the greatest extent possible. We have discontinued or severely limited sponsorships for events, travel to meetings and conferences, community outreach, attendance at workshops and webinars, and other expenses. We have decreased our support for studies critical to understanding the City's housing market and economy. Our antiquated equipment and office furniture are castaways from other departments. Staff have also eliminated expenditures on professional development and training. In recognition of the decrease in CDBG funding and the many important activities that are conducted and funded in part by CDBG, this project has eliminated any request for CDBG funding for staff costs. In the previous fiscal year, CEDO eliminated a position to save costs. The project staff will continue to aggressively pursue all other possible funding opportunities to support carrying out our regular activities.

VIII. Collaboration/Efficiency

1. Please describe other organizations/programs you work with to achieve outcomes for your program participants. How does your program collaborate with other programs, organizations, or services to address the needs of the people you serve? [UWCC]

This question has been answered extensively in the context of other questions. Other partners not mentioned thus far include the Lake Champlain Regional Chamber of Commerce, Champlain College, Community College of Vermont, Greater Burlington Industrial Corporation, Church Street Marketplace, realtors, and the Burlington Business Association.

2. Describe your agency's efforts at becoming more efficient in achieving your outcomes or managing your project/program.

N/A. This is a new activity under the Sustainable Economic Development program.

3. What other agencies provide similar services or programs? [UWCC]

The only other organizations that provide funding for businesses are banks and credit unions and alternative lenders such as Vermont Community Loan Fund, Community Capital, Vermont Economic Development Authority, and Vermont Sustainable Jobs Fund. Angel investors also provide funding, as well as organizations like Fresh Tracks Capital.

IX. Sustainability

1. How will this project have a long-term benefit to the City of Burlington? If this project ends, will that benefit continue?

The project will benefit Burlington in the long term by fostering the growth and expansion of local businesses by providing them with critical financing. The Burlington-South Burlington Metropolitan Statistical Area has had a low unemployment rate in the last few years, and this is partly due to the fact that we focus on growing our local businesses. A revolving loan fund would be another tool in our toolbox with which to help local businesses. By helping residents to achieve economic self-sufficiency, we add to the tax base, help to create livable wage jobs, increase quality of life, contribute to the vibrancy of our neighborhoods, and make our communities good places to live and work.

2. If CDBG funding ends, will the project be able to continue?

This would be a new project, and no, it will not happen without CDBG funding. There are no other sources with which CEDO can capitalize its revolving loan fund.